



**DEPARTMENT OF HEALTH & HUMAN SERVICES**  
**Centers for Medicare and Medicaid Services**

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November 1, 2001

Linda K. Wertz, Medicaid Director  
Texas Health and Human Services Commission  
4900 North Lamar  
Fourth Floor  
Austin, Texas 78751

Dear Ms. Wertz:

I am pleased to inform you that the Centers for Medicare & Medicaid Services (CMS) is approving Texas' request for a 2-year continuation of its NorthSTAR Behavioral Health Medicaid Managed Care Waiver Program authorized under Section 1915(b) of the Social Security Act (the Act.) This approval provides for a waiver of the following sections of the Act: 1902(a)(1) Statewideness, 1902(a)(10)(B) Comparability of Services, and 1902(a)(23) Freedom of Choice, in order to permit Texas to continue to operate the NorthSTAR waiver program from November 6, 2001, through November 5, 2003.

This waiver approval is based upon evidence submitted to CMS demonstrating that the State's proposal is consistent with the purpose of the Medicaid program and will meet all statutory and regulatory requirements for assuring beneficiaries access to quality behavioral health care services while maintaining a cost effective delivery system. Please note that our approval is contingent upon the conditions listed below:

1. Regulations at 42 CFR 434.23(b) require that the capitation fees and any other payments under a risk contract may not exceed the upper payment limits (UPL) in Section 447.361. With the State's methodology to de-link capitation rates from the UPL, the potential exists that if there are caseload changes within risk groups, payments to the Managed Care Organizations may exceed the aggregate UPL. Therefore, we request that you submit to the CMS Regional Office (RO), on a quarterly basis, actual member months and capitation rates paid. The CMS RO staff will conduct a quarterly reconciliation based on the approved cost effectiveness methodology used in Appendix D.IV. If our reconciliation indicates that the State has exceeded the aggregate UPL, you will need to make a decreasing Federal Financial Participation (FFP) adjustment on the next HCFA-64 quarterly expenditure report for the difference.
2. FFP is not available for administrative claiming activities included in the without waiver costs. The State must submit, on a quarterly basis, the administrative claiming invoices submitted by the local mental health centers. The invoices must be submitted to the RO with the HCFA-64 expenditure report. The State must also submit any other supporting documentation, upon request, that the RO requires to monitor the administrative claims.
3. The State must submit to CMS, on a quarterly basis, copies of the report that it contractually requires the BHO to submit regarding beneficiary complaints on behalf of the special needs

children. In addition, please submit a copy of the State's analysis or summary of the information.

4. The State must arrange for an independent evaluation of the waiver with respect to access to care, quality of services, and cost effectiveness. The results of this evaluation must be submitted to the CMS RO no later than three months before the expiration of the waiver authority.

According to regulation, waiver renewal requests must be made ninety days before the expiration date of the waiver. Therefore, Texas may seek to renew this waiver authority by submitting a request for renewal on or before August 5, 2003.

We appreciate the State's efforts in continuing this program to provide for accessible, quality, and cost-effective behavioral health services for Medicaid enrollees in the Dallas area and wish you continued success. If you have any questions, please contact Linda Territo in the Dallas Regional Office at (214) 767-6327 or Linda Abbott in the Central Office at (410) 786-4662.

Sincerely,

/s/

Theresa A. Pratt  
Director  
Division of Integrated Health Systems  
Disabled and Elderly Health Programs Group  
Center for Medicaid and State Operations

cc:

Linda Territo, Dallas RO  
Andy Fredrickson, Dallas RO  
Linda Abbott, Central Office